

## CHAPTER 2

### PROCUREMENT AND CONTRACT ADMINISTRATION

A. GENERAL. This chapter prescribes central procurement practices, “local purchase” provisions, and contract administration procedures (such as property administration) for petroleum products.

1. Types of Contracts. DFSC has procurement responsibility for all petroleum contracts. Copies of the annual fiscal year summary of contracting statistics for all products and services procured by DFSC are prepared for DUSD(L)MRM.

2. Contract Administration. Pursuant to part 42.203 of DLAR 4105.1 (see reference index), contract administration responsibility for bulk petroleum products may be retained by DFSC. DFSC-P may assign contract administration functions to another DLA activity by designating the activity as the Contract Administrative Office (CAO) on the contract.

3. Contract Administration Coordination. The Contracting Officer is the central coordinator for contract administration matters. Effective administration of Government contracts requires frequent coordination/cooperation between the Contracting Officers and personnel in logistic functions. Inquiries relating to contractual obligations will be forwarded to the Contracting Officer. Contract deviations/associated actions will be coordinated with Contracting Officers for approval.

4. Contracting Officer Representative (COR). CORs represent the Contracting Officer; monitor contractor performance and initiate corrective action as authorized in the letter of appointment. COR responsibilities and limitations are established by the Contracting Officer. Part 90.602 of DLAR 4105.1 (see reference index) provide guidance in delegating COR responsibilities/limits. DFSC appointments of personnel assigned to components of Unified Commands will be coordinated/approved by the CINC-JPO. The Contracting Officer shall ensure that personnel have qualifications and experience equivalent to the authority which the COR will exercise.

#### B. PROCUREMENT RESPONSIBILITY

1. DLA/DFSC shall:

a. Contract for, coordinate, and direct the contracting of bulk petroleum products and associated services in support of DoD requirements (re: DFARS 208.70).

b. Determine which products are suitable for central purchase and which are suitable for local purchase.

2. DoD Components/Federal Agencies are authorized to “local purchase” petroleum products under certain conditions as indicated in subsection B.3., below. NOTE: Locations which meet “local purchase” criteria, but do not have “local purchase” capability (purchase orders, etc.) shall notify their SCPS who will coordinate the best course of action with DFSC-O. MIPRs submitted to DFSC-O will indicate why “local purchase” capability is not available and that DFSC assistance is requested.

3. Local Purchase Criteria. Local purchase of petroleum products is authorized under the following conditions:

a. Annual Requirements. Burner (heating) oils, diesel fuel, gasolines, gasohols, marine gas oils, and kerosene will be local purchased based on the following annual requirement criteria:

(1) CONUS/Alaska locations of less than 10,000 gallons (37,850 liters).

(2) Overseas/Hawaii locations with: (a) annual requirements less than 20,000 gallons (75,700 liters).

b. Contract Bulletins. PC&S contract bulletins supply bulk fuel such as motor gasoline, diesel, and heating oil directly to military bases from the local commercial supplier, as ordered by the base ordering officer. Petroleum products designated PENDING in contract bulletins may be local purchased as authorized by DFSC-O or as indicated in the bulletin clause. Local purchase authority terminates when the “pending” designation is removed by contract bulletin amendments or DFSC-O notifies the user that contract fuel is available. Urgent/immediate requirements for

products designated as “pending” will be supported as follows:

(I) Army and Air Force units will promptly **notify** their SCPS of the product, quantity, and date required; SCPS will promptly **notify DFSC-OI** by submission of a completed Emergency Fuel Buy (**EFB**) of their requirements. DFSC will obtain a contract source to supply the product or authorize local purchase.

(2) Navy and Marine units and DoD Agencies will directly **notify DFSC-OI** (see phone numbers on page 1 of the contract bulletin) of the product, quantity, and date required. DFSC will obtain a contract source to supply the product or authorize local purchase.

(3) Other Federal Agencies will local purchase imminent requirements; such agencies are hereby authorized local purchase.

c. **Emergency Requirements.** When the requirement prohibits obtaining a DLA contract through normal procurement channels, the determination of the need for emergency procurement is made by the user. Emergency procurement should cover only the amount calculated to sustain immediate operational needs and until normal contracting channels are secured. For work stoppages, local purchase is limited to immediate use quantity. Note, a copy of the procurement document will be mailed to DFSC-O annotated “local purchase of a **DLA-integrated** managed item.”

d. **Ship Bunkers**

(1) Purchases of one-time **delivery**, irrespective of quantity, for bunkering ships in ports where DFSC has no contract.

(2) Requirements submitted to DFSC but no bunker contract is available or item is listed as “pending” in the contract bulletin.

(3) Where DFSC contracts are available but delivery order is less than the contract minimum quantity **OR** regardless of ordering quantity when advance notice of **delivery** would be less than 24 hours.

(4) Purchases involving more than one **delivery** when the annual **or** interim requirement for a single product does not exceed **84,000 gallons (2,000 barrels/ 318 cubic meters)**.

(5) For purchases made under subpara-

graphs (2) and (3), above, a copy of the procurement document will be mailed to **DFSC-OI** and annotated “local purchase of a DLA-integrated management item.”

e. **SF 149.** Purchases of petroleum products using SF 149, (See volume II, chapter 15 of this manual.)

f. **Aviation Fuel.** Purchases of aviation **fuel** at commercial airports for military aircraft when mission necessitates refueling at such locations and into-plane contracts are not available.

g. **Military Convoys.** Gasoline and diesel **fuel** required for servicing **military** convoys en route to and from training sites. Local purchase is limited to 10,000 gallons (37,850 liters) of each grade per **refueling** site.

4. **Local Purchase Request.** The Commander, DFSC, may authorize local purchase in support of unique requirements or circumstances when requested by DoD Components or other Federal Agencies. Obligation authority associated with local purchase **..** action does not preempt the **local** contracting officer **from** local contracting warrant limitations. Local purchase may also be authorized for products in Spain (coupon sales), Ecuador, Brazil, Canary Islands, Chile, **etc.**, where prices are fixed or controlled by government or local officials. Local purchase requests will be submitted to DFSC-O with the following **data**:

- (1) National Stock Number (NSN).
- (2) Product code and technical **specific-**  
ation number.
- (3) Quantity required and type of **delivery**.
- (4) Estimated unit price.
- (5) Using location.
- (6) Title of purchasing office.
- (7) Name of prospective suppliers.
- (8) Duration of local purchase action.
- (9) Reason local purchase action is  
required.

5. **Service Contracts**

a. Alongside Aircraft Fueling. Military Services may contract for alongside aircraft fueling service at air stations or bases where the fuel is Government-furnished.

b. Commercial Storage Contracts. In overseas areas, delegation of contracting authority to obtain commercial storage facilities may be granted by DFSC based upon requests submitted through appropriate channels by overseas Commanders.

### C. CONTRACT ADMINISTRATION

#### 1. Responsibilities

a. Defense Fuel Supply Center (DFSC). DFSC is responsible for administration of DFSC contracts and associated contractor-Government relationships. CAOS for DFSC contracts are indicated in the contract/contract bulletins. Contracting Officers may delegate contract administration functions to DFRs; see volume II, chapter 3 of this manual for procurement quality assurance responsibility. Responsibilities reserved exclusively to DFSC Contracting Officers are as follows:

(1) Contract amendments or change orders which **affect**: contract delivery schedules, specifications, quantities (increase or decrease), prices, or changes in extent or **nature** of **services**.

(2) Resolve issues and problems of contractor performance.

(3) Matters requiring formal recognition by contract, contract change, or findings and determinations.

(4) Disputes between contractors and the U.S. Government.

(5) Complaints by contractors or Military Semites.

(6) Claims.

b. Requiring Military Service. DFSC contracts may provide that designated elements of the requiring Military Service will be responsible for placing orders (except for firm quantity contracts with firm schedules); placing requests and orders for **services**; performing quality surveillance at terminals; and other operationat **functions** required in the performance of the contract. Commitments to contractors to effect

technical or operational changes involving authorization to perform work, incur additional expense, deviate from specifications, or deviate from any provision of the contract must be made by the contracting **officer**. The term "contracting **officer**", as used herein, pertains to the DFSC assigned individual who executes contractual documents on behalf of the U.S. Government.

2. Contract Assignments. The CAO assigned to provide contract administration services within designated geographic areas are listed in DLAH 4105.4 (see reference index). FAR subparts 42.202 and 42.203 and the associated DFARS part 242 governs the **assignment/retention** of contract administration responsibility; subpart 42.302 discusses contract administration **functions** associated with petroleum products. These functions may be delegated by the contracting agency. Functions delegated by DFSC require approval of the Commander, DFSC.

#### 3. Distribution of Contracts and Contract Bulletins

a. Contracts and contract changes are distributed by DFSC-P. Copies of contracts are distributed to contractors, DFRs/DFOs, SCPs, and Quality Assurance Residencies.

b. Contract Bulletins. DFSC distributes contract bulletins, and supplements thereto, to QARs, DFRs/ DFOS, Federal Agencies, and military bases IAW with lists furnished by the SCPS or developed by DFSC. The lists will be reviewed annually by SCPS/DFSC for accuracy.

c. Invitations for Bid (IFB)/Requests for Proposal (RFP). In CONUS, IFBs/RFPs are distributed to SCPs, DFRs, and QARs. SCPS may request additional distribution as needed. Overseas distribution will be made to QARs, DFRs, and JPOs.

4. Waivers or Modifications to DFSC Contracts. Only the DFSC Contracting **Officer** is authorized to **modify** terms or conditions of DFSC contracts. The Contracting Officer, through DFSC-Q, shall obtain approval of the requiring **Military Service** before **modifying** contracts to provide for waivers to products or services. The requiring Military Service shall not accept waivers to products or services under DFSC contracts without obtaining prior approval of the DFSC contracting **officer**.

5. Auditing and Cost Analyses Contracts. The Contracting Officer is responsible for establishing the

requirements for the evaluation of financial audit or cost analysis of a contractor's records IAW applicable DFARS provisions.

6. Contractor Non-Performance. All appropriate means should be exhausted to keep the supply of fuel to military bases from being interrupted; see chapter 4, subsection F. 9. of this volume for special ordering instructions during delivery delays. The CAO listed in the contract or contract bulletin, in coordination with DFSC-O, shall provide DFSPS with instructions to resolve supply problem such as corrective action at the contract source, obtaining an alternate supply source, advising the DFSP to initiate default action, etc. Imminent contractor delays in delivery shall be reported by DFSPS using the message format in volume V, appendix A5 of this manual - Notice of Expectant Contractor Delivery Delay, as follows:

a. Bulk Fuel Contracts: Copies forwarded to the area QAR, DFR/DFO, and JPO (for overseas contracts) with information copy to the 'associated SCP.

b. Contract Bulletins and Into-Plane Contracts

(1) Army: to U.S. Army Petroleum Center/SATPC-L, New Cumberland PA, with information copy to DFSC-O and the CAO indicated in the contract and contract bulletins.

(2) Others: to DFSC-OI and the CAO listed in the contract with information copy to the associated SCP listed in volume 1, chapter 1. subsection G.3. of this manual.

#### 7. Defaults [Indefinite Quantity Contracts]

a. The right granted the Government under the Default Clause of the contract to terminate orders and subsequently the contract, may only be exercised by DFSC Contracting Officers. Direct contact between DFSC, the QAR and the ordering officer is authorized in connection with possible default actions against contractors.

b. When a contractor fails to perform on an order delivery, no purchase may be made from another supplier without approval of the Contracting Officer who may initiate formal default action. When a contractor fails to make timely delivery against any properly executed delivery order, the ordering officer will send a message to DFSC-P reporting the information shown in appendix A6, Notice of Contractor Failure to Deliver Message Format,

(1) An information copy of the message will be addressed to the area QAR, DFR, SCP, and CINC-JPO/DFOs for overseas locations.

(2) Upon dispatch of the message of delinquency to the Contracting Officer at DFSC, the ordering activity must refuse further deliveries of the delinquent order unless otherwise instructed by the Contracting Officer.

(3) Upon receipt of a message report as described above, Contracting Officer shall determine the advisability of formally defaulting the contractor on the order involved. When the DFSC Contracting Officer determines that a contractor has not responded to properly placed orders. The Contracting Officer shall, if advantageous to the U.S. Government, inform the contractor in writing that the right to deliver the quantity on which the contractor defaulted has been forfeited; this volume will be terminated for default and the contract will be reduced by this quantity. Upon receipt of the incoming communication, DFSC Contracting Officers shall inform the ordering officer, within 3 working days, through normal supply channels, which of the following sources is to be used for support: (a) other orders against the same contract, (b) an alternate source provided by DFSC, (c) a new source negotiated by DFSC, or (d) local purchase action.

(4) In the event base stocks deteriorate to where the base cannot wait 3 days for instructions on obtaining alternate support, per the above procedure, the message prescribed by subsection C.6., above, will include a short explanation of the urgency under "Item MIKE," so priority action can be given to arranging alternate support.

(5) DFSC Contracting Officers will furnish status information to the ordering officer and other addressees on the incoming communication every 20 days thereafter until final resolution of the matter. DFSC Contracting Officers will inform all organizations, in writing, within 3 working days after final disposition of the case is made.

c. A firm basis for assessment of excess costs against defaulting contractors shall be established. The following, therefore, shall be strictly adhered to:

(1) Each new requirement for product or service during the ordering period must first be ordered from the defaulting contractor, if the contract has not been terminated for default in its entirety. As

additional requirements occur, ordering officers will continue to place subsequent orders upon the original contractor. If ~~delivery~~ is not made IAW the provisions of subsequent order, DFSC will be advised, using the message formats previously described.

(2) DFSC Contracting Officers shall formally terminate orders found to be in default if in the Government's interest; Contracting Officers shall then authorize the ordering officer to cancel such orders. The cancellation should note that the action is a result of a termination for default.

(3) Replacement orders for not more than the originally ordered quantity of the same product under the defaulted order must then be placed with an alternate source. To substantiate the excess costs to be assessed against the defaulting contractor, it is essential that the ordering officer provide the CAO (listed in the contract) with: (a) copies of delivery orders placed with both the defaulting contractor and the alternate source and (b) data as to the quantities that were received against each order. Copies of such orders/data will be provided to the area DFR.

d. If there is evidence that the product furnished does not conform to contract specifications, promptly notify the area QAR where the supplies are to be accepted. The ordering officer or QAR will not accept off-specification products without Contracting Officer approval. Contracting Officers should be notified, preferably by phone, for disposition instructions. In cases where the contractor does not agree to corrective or replacement action within the required delivery schedule, the Contracting Officer with approval of the Military Service involved may approve delivery of the product. The Contracting Officer will seek an equitable adjustment in price, as appropriate. Failure to agree on a reduction in price will be considered a dispute under the disputes clause of the contract.

8. Default (Firm Quantity Contracts). The procedures indicated in subsection C.6., above, will govern except:

a. QARs at contractor plants rather than the ordering officer shall submit the message report.

b. Items CHARLIE, DELTA, ECHO, FOXTROT, AND JULIET will be omitted.

c. An additional item titled "Item MIKE," will provide the following data: "The Government has or

has not met its obligations pursuant to the contract such as containers, transportation equipment, bills of lading, shipping instructions, inspection, etc."

9. Ordering/Reporting Actions for Contractor Non-Performance. Ordering/reporting units shall ensure the following actions are taken:

a. When a "Notification of Contractor Failure to Deliver Against Delivery Order" message is sent to DFSC-P and default action is imminent, a P10 Delivery Order/Amendment transaction with Action "C" (correction) and Management Indicator "D" (default) will promptly be processed as prescribed in volume V, appendix B 1 of this manual; such coding will identify the recorded order in DFAMS as undergoing default action and prevent routine cancellation. When advised by the Contracting Officer that default action is not appropriate, a P10 Delivery Order/Amendment transaction with Action "C" (correction) and an "E" in the management indicator field can be processed to delete the Management Indicator "D" in DFAMS to permit supply transactions.

b. DD Form 1155 (delivery order) and DFAMS P10 delivery order transaction coded as undergoing default action will not be canceled until authorized by the Contracting Officer. If shipments are accepted under an order prior to defaulting, a P10 Delivery Order/Amendment code with Action blank (add) and Management Indicator "D" will be processed to reduce the quantity ordered to the quantity shipped (origin acceptance) or received (destination acceptance). If no shipments or receipts have been recorded, report a P10 transaction with zero quantity.

#### 10. Disputes and Claims

a. Disputes between the Government and a contractor will be processed by DFSC IAW contract provisions, DLAR 4105.1 (see reference index) and DFARS part 233 and FAR part 33.2. Copies are available from DLA, DASC-WP Cameron Station, Alexandria, VA 22304-6130.

b. Claims shall be processed by DFSC such as those pertinent to clauses of a contract. Contracting Officers may request additional data upon which to base a determination from the DFSP involved.

11. Contract Performance Reports. Only reports specified in contracts will be required of the contractor. Requests for contractors to provide additional data shall be provided to DFSC-P for action.

12. **Payments.** Payments will be made as indicated in the contract.

13. **Contractor-Furnished Drums**

a. **Government Property.** Local commanders shall ensure that **empty contractor-furnished** drums are disposed of in whatever manner is advantageous to the Government. **Drums** may be returned to contractors for a refund if contracts provide for such a refund and providing the government transportation costs does not equal or exceed the refund. Responsible officers/property administrators will maintain records of drums received, returned for credit and credit received, and disposed. Records of returns and copies of contractor's documentation of drums returned for credit will be mailed monthly to the central control unit designated by the Military Semites, to ensure that correct credit is granted by contractors. Copies of the monthly drum activity report will be mailed to SCPS upon request.

b. **Returnable Drums (Contractor-Owned).** Some contract bulletins provide for **delivery** of products to be consumed at first destination in contractor-owned returnable drums. Such contracts provide: (1) free time for use of the drums, (2) a deposit charge for drums not returned within allowable free time (usually an additional period during which deposits will be **refunded** when drums are returned) and, (3) set time after which deposits will be forfeited. Receiving units are responsible for returning drums to contractors within the free time allowed by the contract. Drums will be returned on a collect commercial bill of lading.

c. **Terminal Transportation Officer.** When drummed or packaged petroleum fuels are consigned to a port of embarkation for export, certificates to establish proof of export will be **furnished** directly to the contractor by the terminal transportation officer. Ordering **officers** will include the following **statement** in the DD Form 1155, Order for Supplies or Services, or **official** release order: "Transportation **Officer** at loading terminal is requested to furnish 'Proof of Export' to contractor for purpose of establishing exemption from Federal Manufacturer's Tax,"

D. **CONTRACT PROPERTY ADMINISTRATION**

1. **DoD Policy**

a. **Overview.** Contract property administration is designed to: (1) meet management data requirements of the Government, (2) ensure property management in the Department of Defense is

performed through a uniform contract property administration program, and (3) protect the interests of the Government at minimum cost. Policy guidance and management instructions in this section are consistent with FAR 45.5 (Management of Government Property in the Possession of **Contractors**) and DoD 4161.2-M (see reference index). DoD 416 1.2-M prescribes procedures and techniques for Property Administrators and all DoD personnel responsible for property management. The term property in this section **includes** inventories of petroleum products.

b. **Role of Property Administrator.** The primary responsibility of the Property Administrator is to administer the provisions of government contracts that deal with government property. The Property Administrator is **not expected** to be the **expert** in all contract related functional areas; thus, assistance may be requested of other personnel such as supply and facility managers, quality representatives, etc., as needed. The Property Administrator function is mainly to administer the contract terms which obligate contractors to acquire, control, use, care for, **report**, and dispose of government property; and to advise the **CAO/DFRs** of the level of the contractor's management efficiency in handling Government property.

c. **Scope.** The scope of the contract property administration **program** shall be determined by the **complexity** of the contractor's property control system, the amount of Government property, and other conditions revealed by review of the contracts and correlation of their provisions with the property control system.

d. **Contractor's Responsibility.** The contractor is directly responsible and accountable for **all** government property in accordance with the contract requirements (re: FAR 45.502). The contractor shall establish and maintain a property control system to control, protect, preserve, and maintain Government property. Such a system shall be in writing unless the Property Administer determines that maintaining a written system is **unnecessary**; in any case, contract terms shall govern. The CAO shall be consulted for advise or direction on problems associated with contractor responsibilities.

e. **Contractor's Liability.** Subject to the terms of the contract and surrounding circumstances, the contractor may be liable for shortages, loss, **damage**, or destruction of government property. The CAO **shall** determine the contractor's liability for property that is lost, damaged, or destroyed pursuant to the terms of the



contract.

f. Property Records. Contractors are accountable for maintaining official records of government property. Contractor records are essential for property management. Maintaining duplicate records by the Government is discouraged as it is **costly** and creates significant administrative burden for both the Government and contractor to reconcile records. The **efficacy** of contractor records and other aspects of contractor property control systems will be reviewed through Government conducted property system **analyses** with augmentation by contractor audit personnel when **determined** appropriate by the Government. Property Administrators are responsible for the adequacy of government reviews.

g. Documentation. The extent of documentation needed shall be determined by the Property Administrator as long as it can be **demonstrated** that evacuation methods are effective in identifying and resolving significant problems. Systems documentation is secondary in importance to the **quality** or technical aspects of the reviews. Property Administrators are cautioned to avoid compromise of other responsibilities for the sake of cosmetic improvements in systems analyses documentation.

h. Economics. In protecting Government interest at minimum cost and to avoid duplicate effort: (1) Quality Representatives **shall** perform property administration **functions** in conjunction with quality surveillance functions unless it can be demonstrated economically disadvantageous or administratively impractical and (2) interstice support agreements (ISAS) shall be negotiated between **Military Service** and DFR officials to perform property administration functions. Nevertheless, contract property **administration** shall be assigned between “agencies” through mutual agreement.

2. Appointment/Assignment of Property Administrators. Each DoD **storage/service-type** contract under which government property is in the custody of a **contractor** such as **GOCO/COCO** DFSPS shall be assigned to a single Property Administrator. The **appointment/assignment** of Property Administrator shall be in writing pursuant to direction provided in DFARS 245.7001. In selecting qualified individuals, the selecting/appointing authority shall consider education, experience, training, judgment, character, and ethics. Property Administrators shall be appointed and assigned as follows:

a. DFSC Contracts. The Commander of DFSC or designee shall appoint Property Administrators at DFRs as required. The **selection/appointment** will be based on recommendations by the DFR commander. DFRs may nominate more **than** one Property Administrator but only one per contract. DFSC-P shall prepare the Certificate of Appointment DFSC Form 16.26, signed by the Commander, DFSC or designee. CAOS shall assign contracts to a specific Property Administrator in coordination with DFRs and inform the contracting **officer** and contractor with a copy of the letter of assignment. Appointing personnel of Military Service organizations shall be done by mutual agreement. CAOS **shall** maintain a contract assignment control register as indicated in DoD 4161.2-M (see reference index).

b. Military Service Contracts. The head of CAOS or designee shall appoint a property administrator. The CAO will assign each contract to a specific property administrator and **inform** the contracting officer and contractor with a copy of the letter of assignment.

3. Property Administrator Responsibilities. As the authorized representative of the Contracting Officer, the Property Administrator shall:

a. Administer contract provisions, requirements, and obligations relating to Government property in the custody of contractors.

b. Review contracts providing for government property to estimate the property administration effort that must be applied. The analysis shall be **sufficient** to determine the type and amount of Government property to be provided, the administrative effort **required**, and the management controls needed to ensure the contractor complies with the contract requirements and **to** develop an appropriate property management plan.

c. Review the contractor’s property control system (see paragraph D. 1 d., above) to ensure it **fulfills** the terms of the contract. The system shall **be** approved in writing when such is determined adequate. The contractor shall be advised to **fix** any portion of the property control system found to be inadequate, before the system is approved. If the contractor and Property Administrator cannot agree **as** to the adequacy of control and corrective action, the matter shall be referred to the CAO.

d. Survey the contractor’s property control system **annually** each fiscal year. The initial survey for

new assignments shall be performed as soon as possible but NLT 6 months following assignment of the contract for property **administration**. See DLAM 8135,1 (see reference index) 'for further detailed instructions and preparation of the Government Property Control System **Survey Summary**.

e. Ensure U.S. Government **officials verify** the contractor's inventory reporting system (physical method **and** associated paperwork) of **Government-owned** product. Officials will verify the accuracy of inventory data and agree or disagree in writing with the contractor's stated cause of losses/gains. Results of the inventory verification **shall** be documented IAW instructions in Exhibit B **of** the contract and filed with the individual **transaction** document; such documents will be kept at the DFSP with a copy mailed to the property administrator for retention. Latitude is hereby provided for officials to schedule the witnessing inventory process within the timeframes quoted in (1) through (4) below. Witnessing the contractor "end-of-the-mouth" **inventory** process is not mandatory: but, consecutive end-of-the-month inventories should be witnessed for corrective action whenever the adequacy or accuracy of the contractor inventory reporting system is questionable and until the system is acceptable. If end-of-the-month corrective action is not required, the witnessing process shall be scheduled at different **intervals** each time with the contractor's coordination. The following criteria will be used, as a minimum, in determining the frequency of **verifying** the contractor's **inventory** system:

(1) Active DFSP (three or more issues or receipts in 6 months): witness **inventory** during the month or at the end of the month and verify against **receipts/issues** monthly.

(2) *Semiactive DFSPs (less than three issues/receipts in six months):* witness inventory and **verify** against issues/receipts once each calendar quarter.

(3) For commingled storage (DLA stock with contractor stock): **verify** that **sufficient inventory** is onhand each calendar quarter; visits, if required, **shall** be unscheduled within the quarter.

(4) For foreign government, **and** NATO held storage under MOUS or country-to-country agreements: inventory will be witnessed and verified by a U.S. Government **official** according to the terms of the MOU or agreement.

f. Obtain the names and **handwritten** "..." signatures of the contractor's personnel who are authorized to receive and accept Government property and sign associated **documents/reports**. Ensure that such documents and reports provided by the contractor contain proper signatures and are submitted on time, as required by the contract.

g. Provide instructions, as needed, to assist the contractor in documenting and reporting accurate inventory data for Government property in the contractor's possession, as prescribed in the contract. Maintain a record of results of contractor inventory and mail a copy to the **CAO**.

h. Establish a Contract Property Control Data File wherein the following **items** will be included:

(1) Property **Summary** Data Record: contractor name, address, and contract **number**; type of contract, modifications, and property **clauses**; date of final review and **date** of execution and transmittal of the DD Form 1593, Contract Administration Completion Record; supporting property administration assignments; name of the property administrator(s) and date(s) of tenure.

(2) Copy of the contract or extracts of provisions pertaining to **property** administration functions and any changes thereof.

(3) Record of analyses, deficiencies, corrective actions, and approval of the contractor's property control system.

(4) Reports relating to Government property prepared by the contractor.

(5) Record **of** visits, *inspections*, audits, and associated **observation/findings** papers.

(6) Shipping documents and receipts for Government property.

(7) Record of final review and Property Administrator statement of closure of the contract property account.

(8) Other data and documents such as **inventory** adjustments, investigations, recommendations, liability determinations, and copies of requests for assistance of other Government personnel.

i. Ensure the Weekly Bulk Petroleum Terminal



Message Report and other reporting requirements of DFAMS are accurate, complete, and reported on time; **and ensure that** Government property received and issued by the **contractor** is reconciled by **contractor** records.

j. Review Government-furnished material for receipt and reconciliation with reports provided by DFSC-FM.

k. Support and assist contractor management organizations, program managers, CAOS and other functions in resolution of property administration matters.

1. Ensure that loss, damage, or destruction of government property is investigated and reported by the contractor in writing as soon as the facts are known or when requested by the DFR or DFSC-O.

m. Investigate any report of loss, damage, or destruction of Government property which the contractor is unable to account for and make an initial assessment of the contractor's liability in writing. Provide data to the CAO with recommendations on the basis of contract terms and conditions for **final** determination of contractor liability. Obtain **contractor** statements of condition and apparent causes for shipment discrepancies which violate the terms of the contract.

n. Advise the CAO and DFRs regarding contractor noncompliance with approved procedures, contractual requirements, and other significant problem **areas**.

o. Recognize the **functions** of other government **personnel** such as contract administration, quality surveillance, facilities management, transportation, contract audit, etc., and obtain their assistance when required. Assistance and advice on matters involving analyses of the contractor's accounting records, financial aspects of contractor property reports, and on any other appropriate financial audit matters shall be obtained from the Defense Contract Audit Agency, through the CAO indicated in the contract.

p. Ensure that all Government property is accounted for prior to the contractor being relieved of accountability.

4. Termination of Appointment/Assignment of Property Administrators. The termination of appointment of Property Administrators for DFSC contracts

will be prepared by **DFSC-P**, based on written advice from the DFR Commander, and signed by the **DFSC** Commander. Termination of Property Administrator appointments for Service contracts shall be made by CAOS indicated in the contract or designee. Appointments shall be terminated when:

a. It has been determined that no Government property has been or will be **furnished** or acquired, or

b. The contract is reassigned to another CAO or to another property administrator.